

AMENDED IN SENATE JUNE 19, 2002

AMENDED IN ASSEMBLY APRIL 29, 2002

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

## ASSEMBLY BILL

**No. 1974**

**Introduced by Assembly Member Pescetti**

February 14, 2002

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An act to amend ~~Section 20225.5 of~~ Sections 20022, 20063, 20370, and 20383 of, to add Sections 20062.5, 20840, 20841, and 20842 to, and to repeal Sections 20225.5 and 20815.5 of, the Government Code, relating to public employees' retirement.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1974, as amended, Pescetti. Public employees' retirement: risk pools.

The Public Employees' Retirement Law authorizes the creation of separate risk pools for local and school miscellaneous, local safety, and school safety members, as specified, and permits the assets and liabilities of contracting agencies to be combined for purposes of setting employer rates.

~~This bill would provide that the contribution rate made to the Public Employees' Retirement System by a school employer participating in a risk pool for school members is equal to the rate the employer would have paid had the employer participated in a single account under a specified provision.~~

*This bill would revise and recast these provisions. The bill would require the Board of Administration of the Public Employees' Retirement System to establish the criteria under which contracting*

agencies shall participate in a risk pool and the criteria under which contracting agencies, school districts, and community college districts may participate in a risk pool. The bill would prohibit requiring contracting agencies with more than 100 active members in a member classification to participate in a risk pool. The bill would establish the method of determining employer contribution rates, and would require that these rates take into account assets and liabilities brought into the pool, as specified. The bill would specify that the contribution rate made to the Public Employees' Retirement System by a school district or community college district participating in a risk pool, as specified, is equal to the rate that the district would have paid had the district participated in a single account under a specified provision. The bill would make definitional changes to conform with and further these provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1     ~~SECTION 1. Section 20225.5 of the Government Code is~~
- 2     SECTION 1. Section 20022 of the Government Code is
- 3     amended to read:
- 4     20022. "Contracting agency" means any public agency that
- 5     has elected to have all or any part of its employees become
- 6     members of this system and that has contracted with the board for
- 7     that purpose. "Contracting agency" also means any school
- 8     district or community college district that has elected to have all
- 9     or part of its employees participate in a risk pool and that has
- 10    contracted with the board for that purpose.
- 11    SEC. 2. Section 20062.5 is added to the Government Code, to
- 12    read:
- 13    20062.5. "Risk pool" means the combination of assets and
- 14    liabilities with respect to one or more contracting agencies for the
- 15    purpose of pooling actuarial experience and setting the employer
- 16    contribution rates pursuant to Section 20840.
- 17    SEC. 3. Section 20063 of the Government Code is amended to
- 18    read:
- 19    20063. (a) "School employer" means a county
- 20    superintendent of schools, other than the Los Angeles County
- 21    Superintendent of Schools and the San Diego County

1 Superintendent of Schools, that has entered into a contract with the  
2 board pursuant to Chapter 6 (commencing with Section 20610)  
3 and any school district or community college district that was a  
4 contracting agency on July 1, 1983, excluding that portion of a  
5 contract with the Los Angeles City Unified School District and the  
6 Los Angeles Community College District that pertains to local  
7 police officers, as defined in Section 20430, on July 1, 1983, and  
8 excluding a school district or a community college district, as  
9 defined in subdivision (i) of Section 20057, that entered into a  
10 contract with the board on or after January 1, 1990, and whose  
11 employees are school safety members, as defined in Section  
12 20444.

13 *(b) Notwithstanding subdivision (a), "school employer" may*  
14 *not include any school district or community college district that*  
15 *participates in a risk pool.*

16 *SEC. 4. Section 20225.5 of the Government Code is repealed.*

17 ~~20225.5. (a) Notwithstanding Sections 20616, 20618, and~~  
18 ~~20815, the board may create separate risk pools for local and~~  
19 ~~school miscellaneous, local safety, and school safety members.~~  
20 ~~Should a contracting agency or school district choose to participate~~  
21 ~~in a risk pool, the assets and liabilities with respect to the affected~~  
22 ~~member classification shall be combined with those of the pool.~~

23 ~~(b) Within six months after the effective date of any new option~~  
24 ~~available to contracting agencies or school districts, the board shall~~  
25 ~~(1) notify all contracting agencies and school districts~~  
26 ~~participating in a risk pool created under subdivision (a) of the~~  
27 ~~availability and approximate cost of the new option, (2) include the~~  
28 ~~new option in at least one of the risk pools applicable to each~~  
29 ~~member category to which the new option may apply and~~  
30 ~~previously created under subdivision (a), and (3) notify the~~  
31 ~~contracting agencies and school districts of their options if they are~~  
32 ~~participating in a risk pool to which the new option is added and~~  
33 ~~choose not to offer the new option to their employees.~~

34 ~~(c) This section shall not apply to any contracting agency or~~  
35 ~~school district nor to the employees of any contracting agency or~~  
36 ~~school district until the agency elects to be subject to this section~~  
37 ~~by amendment to its contract made in the manner prescribed for~~  
38 ~~approval of contracts or in the case of contract made after this~~  
39 ~~section takes effect, by express provision in the contract making~~  
40 ~~the contracting agency subject to this section.~~

1     *SEC. 5. Section 20370 of the Government Code is amended to*  
2     *read:*

3     20370. (a) “Member” means an employee who has qualified  
4     for membership in this system and on whose behalf an employer  
5     has become obligated to pay contributions.

6     (b) “State member” includes:

7     (1) State miscellaneous members.

8     (2) University members.

9     (3) Patrol members.

10    (4) State safety members.

11    (5) State industrial members.

12    (6) State peace officer/firefighter members.

13    (c) “Local member” includes:

14    (1) Local miscellaneous members.

15    (2) Local safety members.

16    (d) “School member” includes all employees within the  
17    jurisdiction of a school employer, other than local policemen ~~and~~,  
18    school safety members *and members included in a risk pool*.

19     *SEC. 6. Section 20383 of the Government Code is amended to*  
20     *read:*

21     20383. “Local miscellaneous member” includes all  
22     employees of a *school district or community college district who*  
23     *are included in a risk pool and all employees of a* contracting  
24     agency who have by contract been included within this system,  
25     except local safety members.

26     *SEC. 7. Section 20815.5 of the Government Code is repealed.*

27     ~~20815.5. Notwithstanding Sections 20618 and 20815, the~~  
28     ~~assets and liabilities of contracting agencies and school districts~~  
29     ~~electing to be subject to Section 20225.5 shall be combined for~~  
30     ~~purposes of setting employer contributions for public agencies~~  
31     ~~participating in the same risk pool.~~

32     *SEC. 8. Section 20840 is added to the Government Code, to*  
33     *read:*

34     20840. (a) *Notwithstanding Sections 20616, 20618, and*  
35     *20815, the board may create, combine or eliminate risk pools for*  
36     *local miscellaneous members and local safety members.*

37     (b) *The board shall establish, by regulation, the criteria under*  
38     *which contracting agencies shall participate in a risk pool and the*  
39     *criteria under which contracting agencies, school districts, and*  
40     *community college districts may participate in a risk pool. In*

1 *determining the criteria, the board shall consider the expected*  
2 *variability of the employer contribution rate due to demographic*  
3 *events. In no event shall contracting agencies with more than 100*  
4 *active members in a member classification be required to*  
5 *commence participation in a risk pool for members in that member*  
6 *classification. For the purpose of this subdivision an active*  
7 *member is a member who is an employee of the contracting agency.*

8 *(c) If a contracting agency, school district, or community*  
9 *college district participates in a risk pool, the assets and liabilities*  
10 *with respect to the affected member classification shall be*  
11 *combined with those of the risk pool.*

12 *(d) The board shall establish, by regulation, the circumstances*  
13 *under which a contracting agency may cease participation in a*  
14 *risk pool for a member classification.*

15 *SEC. 9. Section 20841 is added to the Government Code, to*  
16 *read:*

17 *20841. (a) The employer contribution rate for a contracting*  
18 *agency, school district, or community college district*  
19 *participating in a risk pool shall be determined by the actuary*  
20 *taking into account the difference between the assets and liabilities*  
21 *that were brought into the risk pool with respect to the affected*  
22 *member classifications.*

23 *(b) The employer contribution rate for a contracting agency,*  
24 *school district, or community college district participating in a*  
25 *risk pool may take into account the differences in the benefits*  
26 *provided by each employer to its members in the classification*  
27 *included in the risk pool.*

28 *(c) If a school district or community college district*  
29 *participates in a risk pool pursuant to this section and pays a*  
30 *contribution rate that differs from the rate established for school*  
31 *employers participating in a single account with respect to school*  
32 *members pursuant to subdivision (b) of Section 20225, the actual*  
33 *rate of employer contributions made to the Public Employees'*  
34 *Retirement System, for purposes of Section 42238.12 of the*  
35 *Education Code, shall be deemed to be the contributions that the*  
36 *district would have paid had the district participated in a single*  
37 *account for school members pursuant to subdivision (b) of Section*  
38 *20225.*

39 *SEC. 10. Section 20842 is added to the Government Code, to*  
40 *read:*

20842. Within six months after the effective date of any new option available to contracting agencies, the board shall (a) notify all contracting agencies participating in risk pools of the availability and approximate cost of the new option, (b) include the new option in at least one of the risk pools applicable to each member category to which the new option may apply, and (c) notify the contracting agencies of their options if they are participating in a risk pool to which the new option is added and choose not to offer the new option to their employees.

amended to read:

~~20225.5. (a) Notwithstanding Sections 20616, 20618, and 20815, the board may create separate risk pools for local and school miscellaneous, local safety, and school safety members. If a contracting agency or school district chooses to participate in a risk pool, the assets and liabilities with respect to the affected member classification shall be combined with those of the pool.~~

~~(b) Within six months after the effective date of any new option available to contracting agencies or school districts, the board shall (1) notify all contracting agencies and school districts participating in a risk pool created under subdivision (a) of the availability and approximate cost of the new option, (2) include the new option in at least one of the risk pools applicable to each member category to which the new option may apply and previously created under subdivision (a), and (3) notify the contracting agencies and school districts of their options if they are participating in a risk pool to which the new option is added and choose not to offer the new option to their employees.~~

~~(c) If a school employer participates in a risk pool pursuant to this section and pays a contribution rate that differs from the rate established for school employers participating in a single account with respect to school members pursuant to subdivision (b) of Section 20225, the actual rate of employer contributions made to the Public Employees' Retirement System, for purposes of Section 42238.12 of the Education Code, shall be deemed to be the contributions that the school employer would have paid had the school employer participated in a single account for school members pursuant to subdivision (b) of Section 20225.~~

~~(d) This section does not apply to any contracting agency or school district nor to the employees of any contracting agency or school district until the agency elects to be subject to this section~~

1 ~~by amendment to its contract made in the manner prescribed for~~  
2 ~~approval of contracts or in the case of contract made after this~~  
3 ~~section takes effect, by express provision in the contract making~~  
4 ~~the contracting agency subject to this section.~~

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